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In the Supreme Court
of the United States

OCTOBER TERM, 1968

No. 1298

JOHN J. McMULLEN ASSOCIATES, INC.,
Petitioner,

v.

STATE BOARD OF HIGHER EDUCATION, et al.,
Respondents.

BRIEF FOR RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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This case comes before this Court on a Petition by John J. McMullen Associates, Inc., plaintiff below, for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

OPINIONS BELOW

The opinion of the Court of Appeals for the Ninth Circuit is reported at 406 F.2d 497. The opinion of the District Court for the District of Oregon is reported at 268 F. Supp. 735.

JURISDICTION

The jurisdiction of this Court is invoked under 28 U.S.C. Sec. 1254(1).

QUESTIONS PRESENTED

Question 1 as Presented by Petitioner

1. Does the exclusive jurisdictional requirement of 28 U.S.C. Sec. 1498 (suits for patent infringement resulting from Government procurement must be brought in the Court of Claims) apply to preclude maintaining suit in District Court for patent infringement by a grantee using Federally-granted funds?

Question 1 as Restated by Respondent

1. Does the exclusive jurisdictional requirement of 28 U.S.C. Sec. 1498 apply to research projects for Government agencies wholly financed by Government funds, using a ship supplied by the Government and converted for such research using Government funds, and whose operation and maintenance has been financed wholly by Government funds?

Question 2 as Presented by Petitioner

2. Is a grantee's infringing activities funded by a Federal grant "for the Government [United States]" within the meaning of 28 U.S.C. Sec. 1498?

Question 2 as Restated by Respondent

2. Is the conversion and use of a surplus Government vessel by a Government contractor for admittedly vital Government oceanographic research, and with the authorization and consent of the Government, manufacture and use "for the Government" within the meaning of 28 U.S.C. Sec. 1498?

STATEMENT OF THE CASE

I

This Case Stems from a National Oceanographic Program Conducted by the Government to Procure Vital Research Information.

The United States Government discovered in the 1950's that there was a serious deficiency in its store of basic oceanographic knowledge, which deficiency posed a threat to the nation's defense. Many of the pertinent studies and documents showing this gap and its seriousness are listed in a federal pamphlet entitled "Abridged Chronology of Events Related to Federal Legislation of Oceanography 1956-1965." One of the prominent papers listed in this Chronology is Senate Resolution 136, wherein (at page 11395 of the Congressional Record for July 13, 1959) it is stated:

> "Resolved, That the Senate—
>
> (1) commends the report of the Committee on Oceanography to the President, the Bureau of the Budget, and to the heads of the five departments and nine agencies which would participate in the ten-year program of oceanographic re-

search recommended by the Committee, for their study and consideration with a view to *overcoming this Nation's lag* in this scientific field, and urges their support of a comprehensive plan that will assure the United States permanent leadership in oceanographic research;" (Emphasis added).

A ten year plan for support of oceanographic research was accordingly established. The Navy showed a strong interest in this research. In "Project TENOC, The Next Ten Years in Oceanography, a Survey of the Growth Potential at Existing Institutions," issued October, 1958, it stated:

"1. The enclosed program explains how the Navy can *expand* the current effort in oceanographic research during the next ten years.

"2. The ocean is interposed between every system developed for the operation and detection of submarines and mines, and the successful application of these systems. . . . Oceanography forms the broad platform of knowledge which must be strengthened in order to support the applied problems facing the Navy.

* * * * *

"The United States Navy has a unique opportunity to supervise and foster the proper development of oceanography. Steadily increasing sponsorship should help ready us to nullify any threat from the seas."

The TENOC report begins:

"The following report was compiled by the

> authors as the culmination of their long felt need for steadily increasing emphasis on oceanography by the Navy. The Directors of the laboratories discussed were consulted as a matter of formality *to determine whether they would or would not, be willing to expand in size.*" (Emphasis added).

A National Academy of Science Report which was also favorably reported on in Senate Resolution 136 strongly recommended a rapid expansion of the oceanographic program at academic institutions as being necessary to overcome the oceanographic lag. That Report states:

> "Private foundations and universities, industry and state governments should all take an active part in the recommended program of expansion."[1]

In accordance with the federal mandate above set forth, Congress and the President initiated a national oceanographic program to be carried out in part by universities acting pursuant to contracts with governmental agencies. One of the many universities selected for inclusion in the program was Oregon State University (controlled by respondent State Board.)[2]

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[1] The National Academy of Science is a private, nonprofit organization which is required by its charter to serve as science advisor to the Federal Government. The particular report above quoted was requested and financed by several Government agencies.

[2] The TENOC report recommended the following institutions to participate in the program:
Chesapeake Bay Institute of Johns Hopkins University
Narragansett Marine Laboratory of Rhode Island State University

II

OSU Is But One of a Large Number of Government Contractors in the National Oceanographic Research Program.

Oceanographic research was started at OSU in 1954. The program carried on was initially quite modest. As late as 1959, the annual budget was only $10,000 with the Navy providing 90 percent of the total. OSU performed its research work in those years on small chartered fishing vessels. Later the University was permitted to use the ACONA, a U. S. Government vessel.

OSU's participation in this broad national oceanographic program grew rapidly. A larger vessel than the ACONA became required. In February, 1962, OSU submitted a proposal for such a larger vessel to the National Science Foundation, which was one of the Government agencies participating in this national program.[3] The proposal contemplated in general terms the providing of a ship which would have a stabilizing anti-roll tank to permit the vessel to operate more nearly full time in the normally rough

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New York University
Lamont Geological Observatory of Columbia University
Scripts Institution of Oceanography
University of Washington
Texas Agricultural and Mechanical College
Oregon State University (then Oregon State College)
University of Miami

[3] The National Science Foundation is a government agency established with such functions, powers and duties as are set forth in 42 U.S.C. beginning at Section 1861. It is composed of 25 members appointed by the President with the advice and consent of the Senate.

weather of the Northern Pacific Ocean. Previously much time had been lost due to inclement weather.

The proposal specifically contemplated converting a surplus army air corps maintenance and supply vessel, the FS 210, into a research vessel which would be renamed the YAQUINA. The proposal, which was amended several times, was formally accepted on June 7, 1963, thus to become a grant agreement between OSU and the National Science Foundation.

III

The Government Furnished the Ship and Approved its Conversion for Oceanographic Research.

Pursuant to this agreement the FS 210 was transferred to the State of Oregon. Under the terms of the transfer, however, the ship could

> "be used only for the health or educational purpose for which acquired, including research for any such purpose, and for no other purpose."

Additionally, the grant provided for a period of restriction of two years, during which time OSU was prohibited from selling, leasing, encumbering, lending or otherwise disposing of the vessel without the consent of the U. S. Government. The grant agreement of June 7, 1963 included the further condition that:

> "The Grantee shall use the vessel primarily for the conduct of basic scientific research, and if the Foundation shall determine that she is not being used sufficiently and efficiently for research, the Grantee will convey her to the U. S.

> Government or its nominee without further cost to the Government. . . ."

A further condition was:

> "The Grantee shall not dispose of the vessel without the prior approval of the National Science Foundation. . . ."

The grant also obligated OSU to convey the vessel to the Government without cost in case of a declared national emergency.

The National Science Foundation required that the results of all research work done for it under the various grant agreements be incorporated in final technical reports submitted at the conclusion of each project. Fiscal reports were required in addition to the technical reports.[4] The contracts between OSU and the Navy and the Atomic Energy Commission contained similar requirements for reporting.

The grant agreement provided for the conversion of the FS 210 by a domestic shipyard. Accordingly, OSU entered into a contract with respondent Albina Engine and Machine Works, Inc., on May 4, 1964, to do the required conversion work. During such work, a number of additions and alterations were made in the specifications, all of which were approved by the Government, such matters being termed "Change Orders." One of these change orders, No. 6, included a drawing which contained the specific details of the

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[4] Additionally, NSF is required by statute to render an annual report to Congress and the President. 42 U.S.C. Sec. 1862(c).

accused anti-rolling tank, which details were subsequently incorporated in the YAQUINA by respondent Albina. Change Order No. 6 was specifically approved by the Government in a letter dated August 28, 1964.

In October, 1964, the YAQUINA was put to work by OSU performing basic research in oceanography *solely* for the Government and primarily for three agencies thereof, the Department of the Navy, the Atomic Energy Commission and the National Science Foundation. Lesser amounts of work were performed for the Public Health Service. The entire cost of conversion was paid for by the Government grant. Likewise, all the operating and maintenance expenses for the YAQUINA were paid for by the Government.

Although the NSF funding was in terms called a "grant," it should be noted that OSU's work for the Navy and the AEC was done pursuant to actual contracts. As stated by the Court of Appeals:

> ". . . the National Science Foundation grant appears to have been primarily a financing device for work of special interest to the United States Navy."

IV

The Government Has Consented Specifically that the Manufacture and Use of the YAQUINA Is to Be Construed as Manufacture and Use "for the United States."

In order to make certain that OSU's operation and use of the YAQUINA for the Government were

not interfered with by way of patent infringement suits, the Government supplemented the consent implied in its August 28, 1964 letter with three papers issued subsequent to the commencement of the litigation. One such paper was issued by each of the three Government agencies concerned, the National Science Foundation, the Navy, and the Atomic Energy Commission. These documents specifically stated that

> "past, present and future manufacturing and use of the YAQUINA in performing oceanographic research under the national oceanographic program shall be construed as manufacture and use for the United States . . .",

thereby effecting an absolute assumption of liability by the Government.

It should be noted that in this case which involves but a small part of a huge national program, respondents do not seek to deprive petitioner of compensation for use of its patents. Respondents merely insist that petitioner go to the Court of Claims for its reasonable and entire compensation in accordance with the mandate of 28 U.S.C. Sec. 1498. If it should there appear that any of petitioner's patent rights have been violated, petitioner can and will obtain complete and entire compensation.

ARGUMENT

I

The Questions Presented by Petitioner Do Not Find Support in the Specific Facts of This Case.

This case involves the procurement by the Government of oceanographic research services by grant instruments in the form of binding agreements which when accepted created contracts between the agencies concerned and Oregon State University. In order to obtain such services the Government also procured the ship and the anti-roll tank in it. The District Court found as an ultimate fact that "the conversion and use of the YAQUINA, including the manufacture and use of the stabilization tank . . . were 'for' the Government . . . and with the authorization and consent of the Government." As such the statute provides that suits for patent infringement arising as a result of this procurement must be brought in the Court of Claims.

Petitioner seeks to distinguish this case by virtue of the fact that some of the procurement instruments were in terms called "grants" instead of "contracts." (The National Science Foundation used this terminology; the Navy and AEC, however, did their procurement by instruments actually called contracts.)

Whether the Government procures services by an instrument called a "grant" or by an instrument called a "contract" is really immaterial. In searching for the meaning and scope of an instrument, form

should be disregarded for substance and the emphasis should be on economic reality. *Tcherepnin* v. *Knight*, 389 U.S. 332 (1967).

Furthermore, there is nothing about a grant that precludes it from being used for procurement if, as in the present case, procurement is what the Government wants. The Decision of the Comptroller General in 42 Comp. Gen. 289 (B-149441) states at page 293:

> "The term 'grant' as used in the statutes is subject to a variety of meanings, viz, contribution, gratuity, gift, method of payment or *procurement*. . . . Consequently, the meaning of this term . . . is to be determined from its connection and the manner of its use." (emphasis added)

That research services can be procured by grant is also evident from Part I of Section IV of the Armed Services Procurement Regulations entitled "Procurement of Research and Development." Under Section 4-101, research is defined as:

> (1) *Research*—includes all effort directed toward increased knowledge of natural phenomena and environment and efforts directed toward the solution of problems in the physical, behavioral and social sciences that have no clear direct military application. It would, thus, by definition, include all basic research and, in addition, that applied research directed toward the expansion of knowledge in various scientific areas."

In the National Science Foundation—A General Review of Its First 15 Years, 1966 Report of the

House Committee on Science and Astronautics, the following appears:

> "In practice, distinctions between grant and contract instruments by various federal agencies for support of basic research have been lost; both have been adjusted to meet needs."

Thus in the present case the Government, through its various agencies, the National Science Foundation, the Navy, and the Atomic Energy Commission

1. **directed that the research be procured,**
2. **furnished the ship,**
3. **approved the conversion plans and specifications,**
4. **suggested improvements therein,**
5. **reserved the right to inspect,**
6. **approved and ordered the installation of the anti-roll tank,**
7. **controlled the conversion work,**
8. **paid entire cost of conversion,**
9. **paid all maintenance and operational costs,**
10. **paid for all the research work done aboard the vessel,**
11. **considered the vessel as part of its fleet of oceanographic research ships,**
12. **required reports on all research work done,**
13. **required that interest earned on moneys advanced be refunded to the Government, and**
14. **submitted reports to the President and Congress.**

In view of these facts, the issues petitioner suggests are illusory. It may be true that the Government is becoming involved in an increasingly large number of new types of programs, some of which are

funded by grants which are in effect contracts, and others not. The facts set forth above, however, indicate that in the present case the Government was doing nothing more than procuring basic oceanographic research by contract with respondents, and that the funds expended were solely Government funds and recognized exclusively as such.

Thus it may be an interesting question as to whether some other federal grantee, whose project is less than 100 percent Government funded, is less than 100 percent for Government use and who is subject to less control and supervision than respondents herein, is or is not covered by the immunities conferred by 28 U.S.C. Sec. 1498. However, such a question is not pertinent to the instant case, and essentially calls for an advisory opinion which this Court is not likely to give.

II

This Case Involves a National Research Program Conducted by the Government, Not Local Assistance.

The facts in the instant case arose by virtue of a national oceanographic research program instituted and conducted pursuant to Congressional mandate. The situations covered in the various Comptroller General's opinions mentioned in petitioner's brief on the other hand, dealt with purely local situations. The Government money spent in the present situation was not for state schools or roads, *King County* v. *Seattle School District No. 1*, 263 U.S. 361 (1923); nor was it for a water boiler in a city housing project, unpub-

lished Comptroller General Opinion B-145140, May 3, 1961; nor was it for an elevator in a hospital project, Comptroller General Opinion B-141932, May 2, 1960; nor was it for any other local use. In the present situation the money was appropriated by the Congress for a governmental purpose in the national interest and with international aspects.

The opinion of the Comptroller General, 38 Comp. Gen. 276, 119 U.S.P.Q. 187 (1958), referring to the *Herbert Cooper* decision and to which petitioner refers on page 6 of its petition, did not limit the applicability of Section 1498 to the procurement of hardware. Rather that opinion merely held that the Government is obligated to buy from the lowest bidder irrespective of whether such bidder has a license from the holder of a patent, since the patent owner can have redress in the Court of Claims.

Furthermore, Comptroller General opinions pertain merely to the question of whether the Government is or is not obligated to pay a certain bill. The Comptroller General is not concerned with deciding the appropriate forum in which to try a suit for patent infringement arising from procurement for the Government under a Government contract.

The questions actually involved in the instant case have been long settled by this Court. In *Richmond Co.* v. *United States*, 275 U.S. 331 (1928), this Court said with respect to the precursor of the present statute:

"The purpose of the amendment was to re-

lieve the contractor entirely from liability of every kind for the infringement of patents in *manufacturing anything* for the Government and to limit the owner of the patent and his assigns and all claiming through or under him to suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture. The word 'entire' emphasizes the exclusive and comprehensive character of the remedy provided." 275 U.S. at 343. (emphasis supplied)

In the instant case, OSU was the contractor, all the other defendants were subcontractors, and the matter is covered by Section 1498.

III

There Is No Dispute About the Facts Which Govern This Case, and Petitioner Appears to Have Recognized the Correctness of the Decision Below in the Light of These Facts; What Petitioner Evidently Wants Is Obiter Dicta.

That petitioner recognizes the correctness of the decision below in the light of the specific facts in the instant case is borne out by the statement in its brief to the Court of Appeals (p. 21 thereof) that it "does not take issue with" the District Court's conclusions that:

> "(1) oceanographic research, including 'basic' research of unknown practical application, has been recognized by the legislative and executive branches as vital to the interests of the U. S. Government;
>
> "(2) the conversion and use of the YA-

> QUINA, including the manufacture and use of the stabilzation tank, were to equip it for such research, and therefore were 'for' the Government."

Indeed petitioner implies in its petition to this Court (page 4 thereof) that the decision is correct in the light of the specific facts of this case when it states:

> "The decision by the Court of Appeals—by restricting its holding to the specific facts of the case and not embracing the broader, more definitive holding of the District Court—fails to establish a precedent."

Even the petitioner's conclusion (page 13) recognizes that respondent State Board was a "Government contractor."

By these statements petitioner admits that the decision below turns upon the specific facts of this case, and while it may not set a precedent for other cases having different facts, is clearly correct for this case.

CONCLUSION

It is Hornbook law that every decision is based on the facts in the particular case before the court. That was done here and the decision is both clearly correct and equitably sound. So much seems to be admitted by the petitioner. What it criticizes is that the appellate court confined itself to the facts before it and did not wander afield to set up a "legal policy or guideline"[5]

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[5] Page 13 of petition.

to govern other situations based on other facts in other fields.

In short, petitioner wants from the Supreme Court an *obiter dicta* opinion. We cannot believe that this Court will yield to such a request. Under Section 1498, the petitioner here is entitled to its "reasonable and *entire* compensation" for infringement, if there was one, in the Court of Claims. In this instance petitioner simply filed its action in the wrong forum. The petition for the writ should be denied.

Respectfully submitted,

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